

File Number M/015/041

Effective Date 2/28/96

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

FEB - 2 1996

RECLAMATION CONTRACT

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For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M/015/041</u>
(Mineral Mined)	<u>Gypsum</u>
"MINE LOCATION":	
(Name of Mine)	<u>DKG Quarry (B & J Placer Claims)</u>
(Description)	<u>Emery County, Utah, Moore Road,</u> <u>approximately 2 miles from exit</u> <u>114 off I-70. Nearest town is</u> <u>Moore, Emery County, Utah</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>12.0 acres</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	
(Company or Name)	<u>Diamond K Gypsum, Inc.,</u>
(Address)	<u>1600 So Redview Dr</u> <u>P.O. Box 35</u> <u>Richfield, Ut 84701</u>
(Phone)	<u>801-896-8870</u>

"OPERATOR'S REGISTERED AGENT":

(Name)

Marcus Taylor, Attorney at Law

(Address)

175 North Main

Richfield, Ut 84701

(Phone)

801-896-6484

"OPERATOR'S OFFICER(S)":

Phillip Palmer, President, CEO

Karen Palmer, Vice President, CFO

Kristi Palmer, Secretary, Treasurer

"SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

~~WELLS FARGO~~ Key Bank of Utah

"SURETY AMOUNT":

(Escalated Dollars)

\$29,400

"ESCALATION YEAR":

1999

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Diamond K Gypsum, Inc. the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/015/041 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated November 30, 1994, and the original Reclamation Plan dated November 30, 1994. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as

amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

Diamond K Gypsum, Inc.

Operator Name

By: Phillip Palmer

Authorized Officer (Typed or Printed)


Authorized Officer's Signature

1-29-96

Date

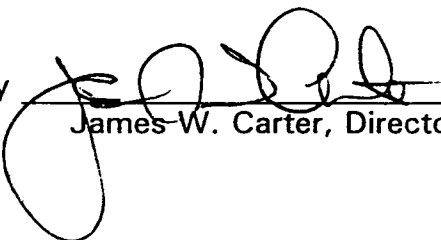
SO AGREED this 28th day of February, 19 96.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY 

Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

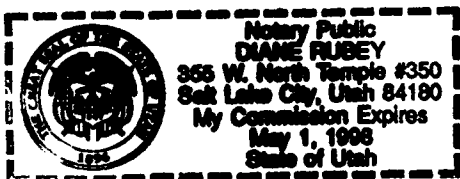
DIVISION OF OIL, GAS AND MINING:

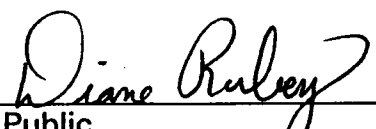
By 
James W. Carter, Director

Feb 28, 1996
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 28th day of February, 19 96, personally appeared before me, who being duly sworn did say that he/she, the said James W. Carter is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.




Notary Public
Residing at: Salt Lake County

May 1, 1998
My Commission Expires:

OPERATOR:

Diamond K Gypsum, Inc.

Operator Name

By Phillip Palmer, President

Corporate Officer - Position


1-29-96

Date

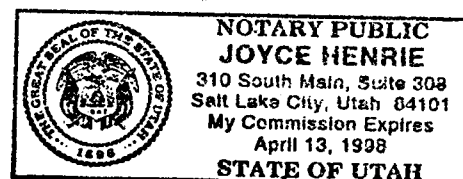

Signature

STATE OF Utah)
COUNTY OF Sevier) ss:

On the 31 day of January, 19 96, personally
appeared before me Phillip Palmer who
being by me duly sworn did say that he/she, the said Phillip Palmer
is the President of Diamond K Gypsum, Inc.
and duly acknowledged that said instrument was signed on behalf of said company
by authority of its bylaws or a resolution of its board of directors and said
Diamond K Gypsum, Inc. duly acknowledged to me that said
company executed the same.


Notary Public
Residing at: S.C. Ut

4-13-98
My Commission Expires:



ATTACHMENT "A"

Diamond K Gypum, Inc.
Operator

DKG Quarry (B & J Placer Claims)
Mine Name

M/015/041
Permit Number

Emery County, Utah

The legal description of lands to be disturbed is:

12.0 Acres Within:

NE 1/4 SW 1/4 and NW 1/4 SW 1/4 Section 29, Township 22 South, Range 9 East



Kari Stevenson
Vice President
International Department

KeyBank
Key Bank Tower, Suite 132
50 South Main Street
Post Office Box 30815
Salt Lake City, UT 84130-0815

February 13, 1996

(801) 535-1159

Utah Division of Oil, Gas and Mining
Tony Gallegos
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Tony:

Key Bank of Utah recently issued a letter of credit in your favor on behalf of Diamond K Gypsum. As per our discussion, our letter of credit was issued different than your sample for the following reasons:

1. In section 2 we did not detail the circumstances on when the letter of credit expires. We simply stated that the letter of credit expired on a particular date "at our counter" and did not include a time restriction for the Division. We also did not include the wording of returning documents and the letter of credit so as not to restrict cancellation by the Division. If you choose to cancel the letter of credit you simply should return the original letter of credit and a cover letter. This does not, however, need to be stated in the letter of credit document.
2. In section 4 we did not require the draft sample be included as an exhibit A so as not to restrict the Division. Also, as per article 40A of the UCP 500, partial draws are permitted unless specifically stated in the letter of credit. Because the letter of credit is subject to the UCP 500 this language is not required.
3. Section 5 was not included because, again, the letter of credit is subject to the UCP 500 and its states in article 13B that the standard for examination of documents is seven business days.
4. Section 6 was deleted as the bank is not willing to include this statement.
5. The documentary requirement was changed to incorporate the wording on exhibit B section 4 only. Sections 1, 2, and 3 were left off to simplify the Division's documentary requirement. You do not need to state that you are permitted to draw under the letter of credit, nor do you need to state that the letter of credit has not expired or that previous draws have been made.

I hope this information is helpful. Please call me if you have any questions, or need additional information or explanation.

Sincerely,

Kari Stevenson
Vice President

/ns

528 1 5 1996



Key Bank of Utah
International Department
50 South Main Street
Salt Lake City, Utah 84144

February 2, 1996
IRREVOCABLE DOCUMENTARY CREDIT
NUMBER /

APPLICANT

Diamond K Gypsum
234 North 500 West
Richfield, Utah 84701

DATE AND PLACE OF EXPIRY:

February 2, 1997, at the
counter of Key Bank of
Utah International
Department currently located
at 50 South Main Street,
Suite 132, Salt Lake City,
Utah 84144

BENEFICIARY

State of Utah
Division of Natural Resources
Division of Oil, Gas, and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Ut 84180-1203
and
US Department of the Interior
Bureau of Land Management
324 South State
Salt Lake City, Ut 84111

AMOUNT: USD29,400.00

Credit available with us by payment of draft(s) drawn at sight on Key Bank of Utah, Salt Lake City, Utah, bearing this letter of credit number, and accompanied by the documents detailed herein.


1. Original of this letter of credit and any subsequent amendments.
2. A written signed statement from an authorized representative of both beneficiaries stating: "The Utah Board of Oil, Gas and Mining, after notice and hearing, has entered an Order which has not been stayed, ordering forfeiture of the Reclamation Contract number M/015/041, in accordance with applicable law. Proceeds of this drawing will be utilized in full to pay the expenses relating to the reclamation liability for the Diamond K Gypsum Quarry, mine permit #M/015/041."

SPECIAL CONDITIONS:

1. It is a condition of this letter of credit that it be automatically extended for one year from the present or any future expiration date hereof, unless 90 days prior to any such date, we notify both beneficiaries that we elect not to renew this Letter of Credit.

We engage with drawer, endorser, and bona fide holder that drafts drawn in compliance with the terms of this credit will be honored on presentation to the above drawee.

Except as otherwise provided herein, this letter of credit is subject to the Uniform Customs and Practice for Documentary Credits, 1993 Revision, International Chamber of Commerce Publication NO. 500, which is incorporated into the text of this letter of credit by this reference. This letter of credit is governed by the laws of the State of Utah


Karl Stevenson
Vice President


Toni Glines
Letter of Credit Officer